SERVICE PLAN

2006/07 – 2008/09

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B.C. Pavilion Corporation (PavCo) Service Plan 2006/07 to 2008/09

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1 Letter From Board Chair to Minister Responsible

I am pleased to present to the Minister of Tourism, Sport and the Arts the B.C. Pavilion Corporation (PavCo) Service Plan for fiscal years 2006/07 to 2008/09.

PavCo is a Provincial Crown corporation that operates public facilities in the Lower Mainland of British Columbia. It is mandated to generate economic benefits for the Province, with its core business being the active marketing, sales, and management of space in its facilities for film production, conventions, trade and consumer shows, sporting, and other events. A system of performance measures has been developed to track its progress in achieving this mandate.

The event industry continues to be challenged by changes in booking and travel patterns, especially from the USA market. Although convention booking levels continue to be robust, client expectations of more product for less has created a buyer's market within North America. However, economic benefits generated through event activity at PavCo facilities significantly exceed any costs incurred in marketing and hosting the events.

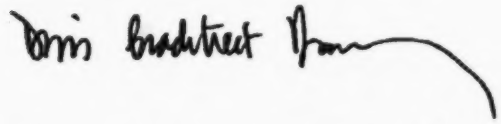
Expansion of the Vancouver Convention & Exhibition Centre is underway, and the new facility will open in late 2008. PavCo management is working with partners in tourism to ensure optimum occupancy at the time of opening.

Two of PavCo's properties, BC Place Stadium, and Vancouver Convention & Exhibition Centre will be operational facilities for the 2010 Winter Olympic and Paralympic Games. BC Place Stadium, which will host opening and closing ceremonies, will require infrastructure upgrades prior to 2010.

As a result of British Columbia's competitive business environment and a favourable exchange rate, PavCo's film division has been operating at close to full capacity during the past year. Continuing high occupancy at the Bridge Studios is predicted in PavCo's business forecasts. Downturns in the entertainment industry or changes to incentives in competing jurisdictions however, can significantly affect occupancy and profitability of studio space, as the industry is very mobile.

The 2006/07 – 2008/09 PavCo Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of January 15, 2006 have been considered in preparing the plan. I am accountable for ensuring PavCo achieves its specific objectives identified in the plan and for measuring and reporting actual performance. The performance targets in this plan have been determined based on an assessment of PavCo's operating environment, forecast conditions, risk assessment and past performance.

On behalf of the Board of Directors, I would like to thank management and staff for their ongoing commitment to PavCo and their contribution towards the success of the organization.



Doris Bradstreet Daughney
Board Chair

PavCo Service Plan
Planning Period April 2006 – March 2009
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2 Organization Overview

Corporate Summary

PavCo has developed a reputation for excellence in the marketing and management of public facilities. Its facilities are operated to realize maximum economic benefits while optimizing financial performance. Through its activities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients remain in the area post-event.

The Corporation's mandate is:

> *To generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.*

PavCo operates BC Place Stadium, Vancouver Convention & Exhibition Centre (VCEC), and Bridge Studios. BC Place Stadium and VCEC are located in downtown Vancouver, and the Bridge Studios in Burnaby, British Columbia.

Expansion of the VCEC will complete in 2008. Construction of the Expansion is the responsibility of Vancouver Convention Centre Expansion Project (VCCEP), and PavCo is working with VCCEP to ensure a seamless transition of operations upon opening.

Enabling Legislation

B.C. Pavilion Corporation is a British Columbia corporation incorporated in 1984 under the *Company Act* of British Columbia, continued under *the Business Corporations Act*.

B.C. Pavilion Corporation registered PavCo as a business name under the *Partnership Act (British Columbia)* on September 23, 1999.

There are also a number of other statutes relevant to B.C. Pavilion Corporation - the most significant being the *British Columbia Enterprise Corporation Act,* which names it an agent of the government, binds it by the same laws as the government, and gives it the same immunities as the government.

Governance

PavCo is responsible to the Minister of Tourism, Sport and the Arts through a Board of Directors appointed by Government.

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives from the Provincial government. These policies and directives are communicated to the Board through the Chair. The performance results to be achieved by the Corporation and the guidelines placed on how these results are

achieved are governed by Board policies and communicated to staff through the Chair. In the case of a vacancy, the Board, in consultation with the Minister responsible, appoints the President and CEO.

The Board currently has two standing committees: Audit and Finance (A), and Governance (G). The Audit and Finance Committee monitors financial reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with staffing and compensation issues, and the implementation of all structural changes to the organization. Both committees review and develop matters in their specified areas and make recommendations to the entire Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

PavCo's Board members and committees served are:

Doris Bradstreet Daughney (A) (G)
Norm Assam (A)
John Horning (A) (G)
Daniel Jarvis (G)
Miriam Kresivo (A) (G)
David Mindell

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework that provides an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, leadership and effective functioning of the board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance, and
- Value, innovation and continuous improvement.

Business Units

2.1.1 Vancouver Convention & Exhibition Centre

With 150,000 square feet of function space strategically located between a spectacular waterfront setting and all of the major visitor amenities of Vancouver's downtown core, the VCEC is British Columbia's premier meeting and convention facility. Since opening in 1987, the VCEC has steadily enhanced its market profile and reputation, culminating with its win in 2002 of the International Apex Award for "World's Best Convention Centre" from the Brussels-based International Association of Convention Centres. Currently, the facility can accommodate a range of events, with a focus on conventions that generate from 2,500-3,000 delegates for a full convention program.

Construction is now underway on a major expansion (Expansion) of the facility immediately to the west of the current building. The Expansion will more than triple the size of current facilities and enable the VCEC to host multiple simultaneous events as well as large single events of upwards of 5,000 delegates.

2.1.2 BC Place Stadium

Opened in 1983, BC Place Stadium is the world's largest air-supported domed stadium. With seating for 60,000 and 247,000 sq. ft. of exhibition space, BC Place Stadium is the Province's largest arena and trade show venue.

2.1.3 Bridge Studios

Located in Burnaby, the Bridge Studios has been operating since 1987 and has been owned by PavCo since 1989. With over 190,000 sq.ft. of production space, the Bridge Studios plays a central role in the film production industry of British Columbia, is home to several TV productions, and is the location for the production of many feature movies.

3 Strategic Context

Vision, Mission, Values

Vision

To be a recognized leader in event facility management.

Mission

To provide an event experience that exceeds the expectations of our clients and guests.

Values

Quality and Service – We set and meet high standards of service.

Respect, Fairness, and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Financial Responsibility – We make significant economic contributions to the Province and generate revenues to offset our operating costs.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm and Humour – We show our enjoyment of our work and each other.

Environmental Responsibility – We continually look for new ways of conducting our business to reduce environmental impacts.

Integrity – We apply our values and deliver our promises.

Key Strategic Issues

3.1.1 The Vancouver Convention & Exhibition Centre

VCEC operates in a highly competitive, private sector driven business with international service standards. It must therefore be competitive in terms of international expectations and be sensitive to the evolving dynamics of the industry, particularly during a time when many industry parameters are undergoing fundamental changes. Recent major growth in convention centre capacity, particularly in the US, have created a buyer's market where many centres are competing through the use of financial incentives and subsidies in order to achieve the overall economic benefits that major conventions bring to a destination. At the same time, a concentration of buying power, a trend toward commoditization and the use of metrics-oriented purchasing policies have formalized the site decision process.

The VCEC has achieved a well-balanced mix of business from regional, national, U.S. and international markets, which has stabilized its operation through the economic and security-related disruptions of the last few years. VCEC has been operating at essentially full capacity, given seasonal business distribution, for a number of years. Opportunities for business growth in the current building have focused on developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best economic return on assets.

VCEC management is participating in the design development process for the Expansion to ensure that the shareholder's goals for economic generation are met. Management is also actively engaged in the development and expansion of staffing and operational systems appropriate to the demands of the expanded facility and the new business levels expected. Renovation plans are being developed for the existing building, to ensure an integrated facility with consistent quality of fit and finish.

VCEC staff are committed to maximizing the number of non-resident delegates booked at events, as they generate the highest economic returns to British Columbia. Because the booking cycle for many major conventions is several years in advance of the events and final design details of the Expansion have only recently become available, VCEC has been unable to confirm many large international events for the period immediately following the opening. In the face of these challenges, staff will pursue not only major US and international conventions but also national and regional events which typically have a shorter decision period.

VCEC, together with industry partners, has embarked on an aggressive marketing campaign, to ensure that the facility is appropriately positioned in the market. VCEC must maintain business levels in the existing centre, which will remain operational throughout construction. As well as enhancing marketing efforts with a number of partnership activities with industry and facility organizations, VCEC is working with British Columbia's four other convention centres to enhance overall Provincial business opportunities and to

share the anticipated business growth arising from expansion with the other regions. The VCEC will also play a pivotal role as a combined media and broadcast centre for the 2010 Winter Olympic Games.

3.1.2 BC Place Stadium

BC Place Stadium was built in 1983, close to downtown Vancouver on unused industrial land. Since then, the surrounding areas have been extensively developed. Built as an economic engine to expand business opportunities for the Province, BC Place Stadium has achieved this goal.

The facility is busy for over 200 days a year hosting trade and consumer shows, entertainment and sporting events. As Stadium occupancy is most concentrated during spring and fall, one of the most significant challenges continues to be limited availability of dates during this season. Trade and consumer shows, BC Lions games and spectator events all desire spring and fall dates leaving limited availability for new shows or for existing shows to move dates.

Changes in the Stadium's business environment clearly point to the need to attract new events in off-peak periods and to diversify the mix of revenue sources. While opportunities for the growth of traditional team sports and trade show categories remain limited, other sports and live entertainment categories show promising potential for expansion. BC Place Stadium is BC's largest trade and consumer show venue and remains the only one capable of hosting a number of the Province's most successful shows. Changing market conditions are having an impact on the ability of the facility to recover its operating costs. At many other large sporting venues in North America, shifting game schedules prevent the hosting of other more profitable events. BC Place Stadium has no sporting events scheduled during the spring consumer show season and is therefore able to maximize its revenues from these shows.

The Stadium will host the Opening and Closing Ceremonies, the medal awards ceremonies as well as the nightly cultural and entertainment events at the 2010 Winter Olympic Games, and also the Opening Ceremonies for the Paralympic Games. Management is currently conducting a full assessment of upgrades needed for the Games and for subsequent operations. These include repairs and upgrades to the roof, scoreboards, concession areas, kitchens, and seating.

During Fiscal 2006/07, management will work with stakeholders to identify revenue generating opportunities that will contribute towards improvements in the facility infrastructure, and also reduce the overall reliance on government funding.

3.1.3 Film Industry in British Columbia

Most film production in British Columbia is from US owned companies with the indigenous portion remaining fairly small at about 12% of total production[1].

During 2004 the US dollar weakened significantly against the Canadian dollar resulting in it becoming significantly more expensive for out of country productions to conduct business in British Columbia. This, combined with significant incentives being offered by other jurisdictions, caused a short, but significant drop of business in the Province. Since then, new incentives in British Columbia have revitalized the market to the point where most facilities are experiencing a period of full occupancy.

As film production is mobile and part of a clean and low impact economy creating significant jobs and benefits, other jurisdictions will continue to match or surpass incentives offered in British Columbia. The market is therefore expected to remain cyclical, responding to general economic business conditions and artificial stimulators to local economies.

3.1.4 The Effects of Business Cycles on PavCo Operations

Changes in business cycles in local, national and world economies can have a significant impact on operations and economic benefits generated by PavCo's three operating facilities.

VCEC relies on attendance from non-resident delegates at conventions to generate the majority of its economic benefits and profitability. As most major conventions are booked several years in advance, lower bookings as a result of world economic downturn can impact business for several years into the future. In addition to the convention business, VCEC relies on regional events booked at short notice in the remaining space, which maximize occupancy. These events are profitable, but produce significantly lower economic benefits than conventions. A weak national economy usually results in fewer meetings occurring and attendance to decline at consumer shows. Positive economic conditions result in an increase in discretionary spending by clients at high profile events.

At BC Place Stadium, most of the business caters to local markets, and attendance at trade and consumer shows generally fluctuates with local economic cycles. For sporting events, change in attendance and revenues depends on the success of the sporting teams as well as discretionary spending available to fans.

Historically, the Bridge Studios has been affected by cycles in the movie production business, with vacancies occurring during business downturns. Most of the facility is currently rented for TV production, but this business is vulnerable in a business cycle where the high Canadian dollar makes production more economical in other jurisdictions.

[1] From Hollywood North Report November 2004

3.1.5 Capital Repairs and Upgrades Required for Ageing Facilities

PavCo's three operating facilities are all close to twenty years old. Neither VCEC nor BC Place Stadium have been significantly upgraded since opening, and both require some renovation. Both facilities will be used for the 2010 Winter Olympic Games.

The existing VCEC facility will be renovated after the Expansion has been completed, so that the combined facility will have the same look to clients.

The scope of the renovations to BC Place Stadium will tie in to the overall development plan for the facility post 2010. Improvements for disabled access and general cleaning are planned for completion in 2009.

Production space at the Bridge Studios has been expanded twice since opening. However, much of the remaining infrastructure (from previous industrial use) is over sixty years old. The site, which was fairly isolated ten years ago, is now close to transit and several commercial and residential developments, significantly increasing security concerns. Following the unsuccessful conclusion of the last sale process, it was decided to reinvest excess profitability over $1.5 million per annum (before depreciation) into building improvements, soils remediation and site upgrades. Upgrades planned for fiscal 2006/07 will remove outdated temporary structures and replace them with a modern workshop building, and also improve an existing building for higher yield purposes.

The Bridge Studios is on lands previously used for industrial purposes. Several areas of the site are known to have some industrial contamination. The entire site has been paved in order to minimize the movement of any contaminants. PavCo will identify contaminated areas and remediate them as necessary.

4 Goals, Objectives, Key Strategies, Performance Measures and Targets

Strategic Goals

PavCo has the following four strategic goals:

- maximize revenues and economic growth;
- maintain and increase client services and satisfaction;
- maintain and improve the facilities under our management; and
- increase innovation, learning, growth and development in our workforce.

Goal 1 - Maximize revenues and economic growth

We strive to achieve our mandate, which is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. The events held at our facilities help to support British Columbia's business and leisure tourism industry, as well as its trade development infrastructure. Our clients and guests from out of Province fill hotel rooms and patronize local businesses during their events, and conduct pre- and post- event activities throughout the Province.

PavCo also strives to meet its financial targets each year to ensure financial sustainability, and to minimize its reliance on shareholder funding. Client expectations and competition from other venues are causing downward pressure on revenues, while our ageing facilities and external challenges are creating an upward pressure on cost. It is important for PavCo to maximize private sector revenue and to use the funding provided in the areas most likely to generate long-term profitability and benefit to the organization and British Columbia.

As the organization taking the lead role in sales and marketing programs for the expansion of the VCEC, we also need to ensure that the combined facility is utilized at the optimum levels upon opening in 2008.

Key Strategies

- improve the return to the shareholder on its investment in PavCo's facilities, primarily through:
  - seeking events from out-of-Province that will generate the maximum amount of economic benefits to our community; and
  - seeking events that will promote growth and support for British Columbia's business base.
- track bookings of events for the Expansion against planned projections.

Performance Measures and Targets

Compare economic benefits generated: Economic benefits are calculated on estimated expenditures by visitors at events in our facilities, subsequent spending in the Province following the event activity, and the multiplier effect through the economy of such spending. An independent third party consultant assesses the economic benefits generated using the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute. Actual results for 2004/05 and projections for 2005/06 were calculated in a report prepared in March 2005. Estimates for subsequent years have been prepared by PavCo management based on anticipated attendance and activity at the facilities. Targets for benefits for future years at VCEC are reduced from previous estimates as a result of slower growth in non-resident delegates than previously expected. Benefits at BC Place Stadium will decline in 2006/07. Grey Cup was hosted in Fiscal 2005/06 and is not expected to return to the facility until at least fiscal 2010.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Compare economic benefits generated					
VCEC	$188m	$167m	$175m	$177m	$197m
BC Place Stadium	$34m	$44m	$35m	$36m	$37m
Bridge Studios	$190m	$230m	$245m	$250m	$260m

Operating subsidy for the facilities (before depreciation) - Subsidy targets for VCEC will increase as the staffing structure and marketing programs are implemented in preparation for the opening of the Expansion in Fiscal 2009. Additional capital funding for Artificial Turf of $1.5 million was also allocated to BC Place Stadium in Fiscal 2005/06.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – operating subsidy for the facilities (before depreciation)					
VCEC	($0.320m)	($2.238m)	($2.758m)	($3.220m)	($6.859m)
BC Place Stadium	($1.847m)	($2.648m)	($3.912m)	($3.852m)	($3.594m)

Revenues at Bridge Studios – Revenues at the Bridge Studios will increase if high occupancy levels are maintained and stepped increases in existing rental agreements are achieved. Higher occupancy levels will also result in increased generation of economic benefits to the Province.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Revenues at Bridge Studios					
Bridge [2]	$3.352m	$3.922m	$4.134m	$4.398m	$4.571m

[2] Future revenues for Bridge Studios are higher than in previous plans as a result of the new Workshop building coming on stream in Fiscal 2006/07.

Increased non-resident delegate days at VCEC - Most of the economic benefit generated by the VCEC is through the attendance of non-resident delegates at conventions. VCEC's first priority is to maximize the number of non-resident delegates visiting Vancouver.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Number of non-resident delegate days at VCEC					
VCEC [3]	146,484	142,701	149,703	151,646	168,244

[3] Estimates of future non-resident delegate days are reduced from the previous Service Plan. Growth of attendance at VCEC has been slower than anticipated in previous plans.

Attendance at BC Place Stadium - Increased attendance levels at BC Place Stadium drive higher sales of Stadium services, as well as food and beverage. As the number of patrons and events increase, the facility becomes more attractive for corporate sponsors to purchase interior signage and exclusive supply rights.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Attendance at BC Place Stadium					
BC Place Stadium [4]	883,846	1,050,000	891,800	900,000	915,000

[4] Attendance at BC Place Stadium for Fiscal 2005/06 increased as a result of Grey Cup and an unbudgeted football playoff game. For future years, attendance will return to historical levels. Playoff games for football are not budgeted due to the uncertainty of the occurrence.

Goal 2 - Maintain and increase client services and satisfaction

By increasing satisfaction from customers, our reputation as an organization that has the ability to produce world-class events will increase and drive higher attendance levels in the future. This will further enable us to achieve our primary goal of maximizing economic growth to British Columbia. Many of our guests from out-of-Province spend extra time in the region post events, and later, return with their families as tourists.

Key Strategies

- continue to provide a high level of service to support retaining our customers;
- work with our partners in tourism to attract those guests who will bring the greatest amount of benefits to the local and Provincial economies; and
- promote our facility as the preferred venue for client target markets.

Performance Measures and Targets

Service Quality Survey Scores – We conduct Quality Surveys with Clients and Guests at our facilities so as to be aware of their expectations and satisfaction levels. Wherever

appropriate we will improve service levels. The event business is very competitive, so a reduction in client satisfaction can lead to them not returning to, or recommending our facilities to other potential clients.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Service Quality Survey Scores					
VCEC [5]	84%	81%	80%	78%	75%
BC Place Stadium	83%	85%	85%	85%	85%

[5] Service quality scores at VCEC are expected to decline as a result of noise and disruption from nearby construction. In addition to the Expansion, there will be a major hotel project adjacent to the Expansion, and work on transportation infrastructure until Fiscal 2009. Also, the VCEC infrastructure is ageing and fit and finish is falling below clients' expectations. A partial retrofit is expected following opening of the Expansion. Staff remain committed to providing the highest levels of service.

Percentage retention of existing business – At BC Place Stadium, most of our business is from repeat clients who return on a regularly scheduled basis. We strive to retain our core business, as it is very costly to attract new events, and also disruptive to other shows if event schedules need changing. We will improve our service levels wherever possible in order to retain our clients.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Percentage retention of existing business					
BC Place Stadium	96%	95%	95%	95%	95%

Goal 3 - Maintain and improve the facilities under our management

We will maintain our facilities to the best extent possible in order to attract new clients. We have developed repair plans at each of our facilities, and plan for improvement and expansion of some of our services. Improvement to our properties will make us more competitive with other facilities and should result in an increase in overall occupancy and profitability. At the Bridge Studios, it may be necessary to disturb soils that were contaminated through previous site use, while performing some repairs or improvements. We will monitor the contaminants and remediate as appropriate.

VCEC and BC Place Stadium will both be used for high-profile activities during the 2010 Winter Olympic and Paralympic Games. A retrofit of the existing VCEC is anticipated before the games, and options for refurbishing BC Place Stadium are being developed to bring the facility to acceptable standards for the Games.

Key Strategy

- implement repair and maintenance plans to improve the facilities under our management

Performance Measure and Targets

Gross margin on events: ongoing repairs and maintenance to our equipment and facilities will make us the place for clients to hold their events and assist us in maximizing margins on those events.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – compare the gross margin received on events					
BC Place Stadium [6]	49%	49%	45%	45%	45%

[6] Margins are higher than historical normals in 2005/06 with higher attendance and the addition of some profitable football events to the schedule

Percentage Occupancy at the Bridge Studios – The film business is highly competitive, and in tight economic times, service quality and ease of conducting business for producers will influence their decision to choose a particular studio for their movie shoot. We will improve our service levels and give producers a choice of value added products in order for them to conduct their businesses in the most profitable manner.

	Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure – Percentage occupancy at Bridge Studios					
Bridge Studios [7]	93%	95%	95%	95%	95%

[7] Percentage occupancy projections for Bridge Studios have been increased from previous targets as a result of improved economic conditions. Management will strive to maintain the high levels of occupancy during any downturns in the movie industry

Goal 4 – Increase innovation, learning, growth and development in our workforce

We will strive to keep our employee skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will maintain PavCo as a leading organization for innovation and creativity in its industry sector. We will monitor training activity, and measure the rate of staff retention.

We will seek to attract and retain well-qualified employees to achieve our corporate-wide goals. During Fiscal 2006/07 we will implement a performance-contingent compensation system that will reward staff for accomplishing the goals that we negotiate with them as part of our strategic planning cycle.

Key Strategies

- continue to support staff development in required skill areas, build capacity and motivation to achieve our strategic goals; and
- implement a performance-contingent compensation system.

Performance Measure and Targets

Employee involvement – At BC Place Stadium, many of our staff hold technical qualifications. In the tightening employment market, there is now high demand for these staff which is becoming harder to attract. Through continuous improvement programs we will strive to retain these full-time staff. Due to the cyclical nature of our events, it is a challenge to retain our part time employees, and the ongoing hiring process is costly. We strive to retain a high proportion of our employees on a long-term basis.

		Actual 04/05	Forecast 05/06	06/07	Targets 07/08	08/09
Performance Measure - employee involvement						
BCPS	Employee involvement (retention)	89%	90%	90%	90%	90%

5 Alignment with Government's Strategic Plan

PavCo's three-year Service Plan is prepared with reference to, and guidance from, the Government's Five Goals as outlined in the February 2005 Throne Speech. PavCo's business aligns most particularly with the fifth goal, which is:

"To create more jobs per capita than anywhere else in Canada"

Business attracted to PavCo's facilities stimulates the provincial economy. Overseas conventions and film production bring new business to British Columbia, and create many jobs in the hospitality and the service industry. Also, post-event spending by our visitors creates further employment throughout the Province.

6 Summary Financial Outlook

Funding

Funding is received from the Ministry of Tourism, Sport and the Arts. It covers the shortfall between operating revenues, facility costs and repairs expenses, and also includes an allowance for facility depreciation.

Operating

PavCo's operating facilities are the VCEC, BC Place Stadium and the Bridge Studios. PavCo is also responsible for the lead role in sales and marketing of the Expansion of the VCEC.

PavCo's revenues will continue their upward trend through Fiscal 2008/09. During Fiscal 2005/06, revenues at BC Place Stadium were significantly higher than for previous years due to hosting the Grey Cup. This increase in revenues from Grey Cup offset the effect on revenues of fewer large conventions. For Fiscal 2006 /07 onwards, business will return to previous levels at both VCEC and BC Place Stadium. Bridge Studios is expected to continue with close to full occupancy. Most of the increases in revenue will be from regional business between major events (infill events) and increased client spending. Competition from other facilities and the expectation of rental incentives from clients is expected to slow revenue growth at VCEC. At BC Place Stadium, management will seek more sporting events for the off-peak seasons and other revenue generating opportunities.

Capital

The Corporation manages assets with carrying values of over $120 million, which are serviced through regular maintenance and renewal programs. Most improvements to the corporate facilities are repairs to the existing infrastructure.

During Fiscal 2008/09 several upgrades to BC Place Stadium have been identified, to bring the facility up to standards acceptable for the 2010 Winter Olympic and Paralympic Games. A detailed plan will be prepared to ensure that any improvements will be of maximum benefit to existing clients. The plans will include improvements to security systems, facility access for those with disabilities, seating repairs, hospitality upgrades, scoreboards and general upgrades.

Although the air-supported roof at BC Place Stadium is close to the end of its originally anticipated lifespan, an extensive maintenance plan is in place, and in its current condition the roof could last for several more years. PavCo carries no reserves to replace the roof.

Major improvements to VCEC are projected following the opening of the Expansion in late Fiscal 2009, to standardize the fit and finish of the combined facility. These improvements will be funded through the Expansion budget.

Financial Forecast

Five Year Financial Comparison for Operations (in $ millions) - PavCo Consolidated

	Fiscal 2004/05 Actual	Fiscal 2005/06 Forecast	Fiscal 2006/07 Budget	Fiscal 2007/08 Forecast	Fiscal 2008/09 Forecast
Revenues					
– Sales	29.760	31.387	31.983	32.648	33.861
– Government Contribution [8]	3.116	5.000	5.000	5.000	5.000
– Contribution re write down BC Place Stadium	75.000	-	-	-	-
– Contribution for Turf at BC Place Stadium	-	1.500	-	-	-
Total Revenues	107.876	37.887	36.983	37.648	38.861
Expenses					
– Operating costs [9]	30.310	35.411	37.411	38.416	43.026
– Write down BC Place Stadium [10]	75.000	-	-	-	-
– Depreciation	2.566	3.169	3.510	3.710	4.660
Total Expenses	107.876	38.580	40.921	42.126	47.686
Net Income (deficit)	-	(0.693)	(3.938)	(4.478)	(8.825)
FTEs [11]	135	148	148	153	154
Major capital expenditures[12]	2.065	1.500	-	-	-

[8] The government contribution is to cover operations shortfalls and depreciation of capital assets. Funding for Fiscal 2004/05 was provided through the Ministry of Small Business and Economic Development. For Fiscal 2005/06 onwards it is through the Ministry of Tourism, Sport and the Arts

[9] Operating costs include major repairs projects at the facilities. Costs in Fiscal 2008/09 are increased due to inclusion of the VCEC Expansion for a commissioning period and subsequent opening late in the year

[10] $75 million write down of BC Place Stadium to reflect an impairment in value. Cost was matched by an equal reduction in Deferred Government Contributions

[11] Full Time Equivalent Staff will increase due to preparation for Expansion of Vancouver Convention & Exhibition Centre

[12] Capital expenditures include Artificial Turf system in Fiscal 2006

Key Assumptions:

- The core business units are VCEC, BC Place Stadium, and the Bridge Film Studios.
- PavCo will work with the Shareholder to determine options for funding the forecast deficits for Fiscal 2005/06 onwards to ensure financial stability.

Forecast Risks and Sensitivities:

- Revenue estimates are based on current bookings and expected pick-up business. These estimates could change if there are further world events during the period that impact business travel and tourism. Estimates will be monitored and adapted as conditions change.
- Continued increase in the value of the Canadian dollar against other currencies could reduce the amount of out-of-country business attracted to PavCo's facilities.

7 Operating Segment Summary Information

Vancouver Convention & Exhibition Centre

Five Year Financial Comparison for Operations (in $ millions) – Vancouver Convention & Exhibition Centre

	Fiscal 2004/05 Actual	Fiscal 2005/06 Forecast	Fiscal 2006/07 Budget	Fiscal 2007/08 Forecast	Fiscal 2008/09 Forecast
Revenues					
– Sales [13]	16.913	15.223	17.175	16.760	17.423
Expenses					
– Operating costs[14]	17.233	17.461	19.933	19.980	24.282
– Depreciation	0.513	0.348	0.350	0.350	1.100
Total Expenses	17.746	17.809	20.283	20.330	25.382
Net Income (deficit)	(0.833)	(2.586)	(3.108)	(3.570)	(7.959)
FTEs [15]	39	51	51	56	57

[13] Revenues in Fiscal 2004/05 were higher than average performance due to significant spending by clients on services at several conventions. Revenues will increase in Fiscal 2008/09 with the opening of the Expansion

[14] The increase in operating costs from 2004/05 to 2005/06 is due to higher variable event costs required to service higher business levels. There was also a resumption of spending on repairs projects at the facility following a period of reduced maintenance. For the Fiscal years 2005/06 to 2008/09 operating costs include sales marketing expenses for the Expansion of the facility, which started at $1.0 million per annum in fiscal 2004/05, and additional costs to repair infrastructure and prepare for opening of the Expansion. Costs in Fiscal 2008/09 are also increased due to inclusion of the Expansion for a commissioning period and subsequent opening late in the year

[15] Full Time Equivalent Staff will increase due to preparation for Expansion of VCEC

Goals, Strategies and Measures for VCEC

Goal 1 - Maximize revenues and economic growth

Strategy - Improve the return to the shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Achieve our economic benefits objective while operating within an acceptable range of subsidy (before depreciation)
	Sales activity – non resident delegate days booked for future years

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Continue to provide a high level of service to support retaining our customers	
Measure	Service quality survey scores

Goal 3 - Maintain and improve the facilities under our management

Strategy - Create and execute a multi-year business process upgrade for transition through to Expansion

Goal 4 – Increase innovation, learning, growth and development in our workforce

Strategy - Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan

BC Place Stadium

Five Year Financial Comparison for Operations (in $ millions) – BC Place Stadium

	Fiscal 2004/05 Actual	Fiscal 2005/06 Forecast	Fiscal 2006/07 Budget	Fiscal 2007/08 Forecast	Fiscal 2008/09 Forecast
Revenues					
– Sales [16]	9.414	12.193	10.632	11.450	11.827
Expenses					
– Operating costs[17]	11.261	14.841	14.544	15.302	15.421
– Other expenses [18]	75.000	-	-	-	-
– Depreciation	1.375	2.150	2.400	2.600	2.800
Total Expenses	87.636	16.991	16.944	17.902	18.221
Net Income (deficit)	(78.222)	(4.798)	(6.312)	(6.452)	(6.394)
FTEs [19]	89	89	89	89	89

[16]Revenues for Fiscal 2005/06 increased as a result of Grey Cup activities at the Stadium
[17] Variable costs for Fiscal 2005/06 increased as a result of services provided by the Stadium for Grey Cup. Funding for operating costs include all amounts for maintenance and upgrades. For Fiscal 2005/06 to 2008/09, some expenditures may be later reclassified to capital
[18] Other expenses in Fiscal 2004/05 were for the write down in the carrying cost of BC Place Stadium to align with Canadian GAAP
[19] FTE's at BC Place Stadium can fluctuate with event activity

Goals, Strategies and Measures for BC Place Stadium

Goal 1 - Maximize revenues and economic growth

Strategy - Improve the return to the shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Achieve our economic benefits objective while operating within an acceptable range of subsidy (before depreciation)
	Facility attendance

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Continue to provide a high level of service to support retaining our customers	
Measure	Service quality survey scores
	Percentage retention of existing business

Goal 3 - Maintain and improve the facilities under our management

Strategy - Maximize opportunities for profitability	
Measure	Margin per event

Goal 4 – Increase innovation, learning, growth and development in our workforce

Strategy - Support staff development and implement a performance- contingent compensation system	
Measure	Employee involvement (retention)

Bridge Studios

Five Year Financial Comparison for Operations (in $ millions) - Bridge Studios

	Fiscal 2004/05 Actual	Fiscal 2005/06 Forecast	Fiscal 2006/07 Budget	Fiscal 2007/08 Forecast	Fiscal 2008/09 Forecast
Revenues					
– Sales	3.352	3.922	4.134	4.398	4.571
Expenses					
– Operating costs[20]	1.730	2.422	2.634	2.898	3.071
– Depreciation	0.678	0.671	0.750	0.750	0.750
Total Expenses	2.408	3.093	3.384	3.648	3.821
Net Income (deficit)	0.944	0.829	0.750	0.750	0.750
FTEs	4	4	4	4	4

[20] Profitability at Bridge Studios in excess if $1.5 million per annum (before depreciation) will be reinvested in facility improvements and soils remediation

Goals, Strategies and Measures for the Bridge Studios

Goal 1 - Maximize revenues and economic growth

Strategy - Improve the return to the shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Revenue generation

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Position our facility as the preferred venue for client target markets

Goal 3 - Maintain and improve the facilities under our management

Strategy - Increase and improve facility occupancy	
Measure	Percentage occupancy

Goal 4 – Increase innovation, learning, growth and development in our workforce

Strategy - Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan

Corporate Office

Five Year Financial Comparison (in $ millions) – Corporate Office

	Fiscal 2004/05 Actual	Fiscal 2005/06 Forecast	Fiscal 2006/07 Budget	Fiscal 2007/08 Forecast	Fiscal 2008/09 Forecast
Revenues	0.081	0.050	0.042	0.040	0.040
Expenses					
– Operating costs[21]	0.085	0.525	0.300	0.236	0.252
– Depreciation	-	-	0.010	0.010	0.010
Total Expenses	0.085	0.525	0.310	0.246	0.262
Net Income (deficit)	(0.004)	(0.475)	(0.268)	(0.206)	(0.222)
FTEs	3	4	4	4	4

[21] Fiscal 2004/05 included the recovery of prior year reorganization expenses. Fiscal 2006/07 costs are reduced due to elimination of rental costs

8 How to Reach Us

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